

| Comments Template on Consultation Paper on Proposal for Guidelines on Pre-application for Internal Models | | Deadline 19 June 2013 12:00 CET |
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| Name of Company: | ASSURALIA | |
| Disclosure of comments: | Please indicate if your comments should be treated as confidential: | Public |
| <p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-011@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> | | |
| Reference | Comment | Resolution |
| General Comment | <p>Assuralia welcomes the opportunity to comment on the Consultation Paper on Proposal for Guidelines on Pre-application for Internal Models.</p> <p>A continuation of the pre-application process for internal models during the interim phase is considered as a positive approach in the preparation of Solvency II.</p> <p>However, some requirements, especially those on documentation, go somewhat beyond what was originally intended creating an unnecessary level of detail.</p> <p>This envisaged level of detail may not bring little or any added value on the assessment on the quality of the models and risks to turn the supervisory assessment into a compliance exercise requiring significantly more resources for both undertakings and supervisors,</p> | |

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| | <p>instead of spending time in creating a constructive dialogue. We refer to the user manual in guideline 57 as an example to confirm our argument.</p> <p>Assurance should be given that the pre-application processes are from now on implemented without any country specific additions and that pre-application processes which are already or nearly completed will not have to be revised. It goes without saying that intensive discussions and pre-application activities have been taking place for years. Several (partial) internal models have been subject to extensive supervisory reviews and already show a high degree of maturity.</p> <p>Most guidelines start with "national competent authorities (NCA) should form a view on..." There is however uncertainty on the criteria and the level of detail the NCA will use to form their view on the preparedness.</p> <p>It is also unclear on the basis of which criteria NCA's will evaluate an internal model and conclude the finalisation of the pre-application process.</p> | |
| Introduction. General Comment | EIOPA should consider how to best align or even integrate these Guidelines with the already issued pre-application Guidelines (former CP 80). | |
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| Section I. General Comments | | |
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| 1.20. | We understand that NCAs cannot be expected to publicly disclose their respective progress report. However, undertakings should be informed about cases where the national legal framework is currently in contradiction with the Guidelines. We therefore would propose to add: "EIOPA will disclose cases where the current binding national legal framework hinders compliance to specific Guidelines" | |
| Section II. General Comments | | |
| Chapter 1. General Comments | | |
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| 1.22. | Regular feedback from the supervisor during the whole pre-application process is highly appreciated. The feedback should be specific so that the undertaking can take appropriate | |

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| | actions. | |
| 1.23. | | |
| 1.24. | A notification should not be required for every little change. This requirement is too extensive. Further guidance on the relevance criteria would be helpful to assure a consistent and convergent approach. | |
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| Chapter 2. General Comments | | |
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| 1.32. | One model change policy (only) at group level is inappropriate since not all undertakings of a group may have the same businesses. Group subsidiaries may have different concerns and problems with the same model. | |
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| Chapter 3. General Comments | Requiring a use test during the first year after the implementation has limited added value. | |
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| 1.37. | | |
| 1.38. | We suggest deleting point f. "other relevant ones" as this doesn't provide guidance and can leave room for interpretation. | |
| 1.39. | Regular discussions of models in the risk committees should serve the purpose. Formal trainings, seminars or workshops should not be required but strongly advised. In function of their available resources undertakings should have sufficient flexibility to planify the integration and implementation of their internal model over time. | |
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| Chapter 4. General Comments | We consider that the requirements under Guidelines 22 and 23 are not enforceable from an operational point of view. We agree it is important to document and validate formally key | |

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| | material assumptions but Guidelines 22 and 23 are very demanding and could create adverse effects. For instance, a big risk that the fulfilment of extensive documentation requirements in itself becomes a compliance exercise. This could distract knowledgeable resources from ensuring quality and adequacy of assumptions to an administrative documentation exercise. | |
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| 1.57. | It is important to note that an internal model could have several hundreds model assumptions. We propose to amend the text to focus on material assumptions setting and not all assumptions setting. | |
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| Chapter 5. General Comments | | |
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| Chapter 6. General Comments | | |
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| Chapter 7. General Comments | | |
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| Chapter 8. General Comments | <p>The use of the P&L Attribution also indicates the level at which it should be performed. In certain cases risks are predominantly steered across legal structures, and is a further drill down into each legal entity not necessary. An example for such an overarching steering of risks relates, e.g., to accumulation risks such as natural catastrophes where the board of a group typically needs to have an overview of the overall exposure of the group. The drilling down into smaller entities is of less importance here.</p> <p>The level at which the P&L Attribution is performed should therefore follow "the use test", i.e. the practical application of risk and business steering, and not the legal structures. Major business units should thus follow steering objects rather than legal structures, i.e. not</p> | |

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| | every legal entity forms a major business unit. | |
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| Chapter 9. General Comments | | |
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| Chapter 10. General Comments | | |
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| 1.146. | See general comments. A documentation of all methodologies which were considered but not subsequently used is very resource intensive and virtually impossible in the long run. | |
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| 1.150. | See general comments. Moreover, for a complex model multiple user manuals will be required for its operation, especially for group internal models. This can't be the intention of the guidelines. | |
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| Chapter 11. General Comments | | |
| 1.154. | We are concerned that if expectations regarding the understanding of an external model get excessive, SMEs will get virtually excluded from the internal models application process. | |
| 1.155. | See general comments. Very burdensome for both undertakings and NCAs to fulfil the requirements. | |
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| Chapter 12. General Comments | It would be helpful for both undertakings and NCAs to have more clarity on the envisaged cooperation between the group supervisor, the other NCAs concerned, involved and identified by the college of supervisors, as well as their respective roles for the applications. | |
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| Compliance and Reporting Rules | | |
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| Impact Assessment – General Coments | | |
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